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SOMERSET, NEW JERSEY 08873
908-563-2700888 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006-4103
202-296-8600

SUSAN G. LICHTENFELD

July 21, 1997

VIA MESSENGER

Mr. Vernon A. Williams
Secretary
Office of the Secretary
The Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Attention: Janice Fort, Room 704

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are three original executed copies and one photostatic copy of a Railcar Security Agreement, dated as of July 14, 1997 (the "Security Agreement"), between Johnstown America Corporation, as the Secured Party, and The CIT Group/Equipment Financing, Inc., as the Grantor, which Security Agreement is a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed Security Agreement are:

Secured Party: Johnstown America Corporation
17 Johns Street
Johnstown, Pennsylvania 15901

Grantor: The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas
New York, New York 10036

A description of the railroad equipment covered by the enclosed document is set forth in the Security Agreement.

RECEIVED
SURFACE TRANSPORTATION
BOARD

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Mr. Vernon A. Williams
July 21, 1997
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Also enclosed is a check in the amount of \$24.00 payable to the order of The Surface Transportation Board covering the required recordation fee.

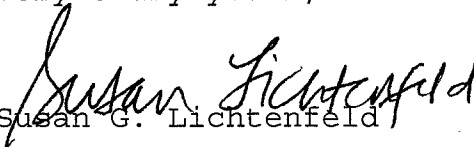
Kindly return two stamped original copies, the stamped photostatic copy of the enclosed document and the stamped photostatic copy of this letter to the messenger or to Susan G. Lichtenfeld at Ross & Hardies, 150 North Michigan Avenue, Suite 3100, Chicago, Illinois 60601.

Following is a short summary of the enclosed document:

Document to be Recorded

Railcar Security Agreement, dated as of July 14, 1997, between Johnstown America Corporation, as Secured Party, and The Cit Group/Equipment Financing, Inc., as Grantor, covering 705 aluminum BethGon coalporter railcars.

Very truly yours,


Susan G. Lichtenfeld

SGL:vgc
w/encl.

cc: Michael P. Siska, Jr.
Robert W. Kleinman
Stephen E. Darnell

JUL 21 '97

12-02 PM

RAILCAR SECURITY AGREEMENT

Dated as of July 14, 1997

from

THE CIT GROUP/EQUIPMENT FINANCING, INC.

to

JOHNSTOWN AMERICA CORPORATION

RAILCAR SECURITY AGREEMENT

THIS RAILCAR SECURITY AGREEMENT is made as of this 14th day of July, 1997, from THE CIT GROUP/EQUIPMENT FINANCING, INC. (the "Grantor") to JOHNSTOWN AMERICA CORPORATION, a Delaware corporation (the "Secured Party").

WHEREAS, the Secured Party and Commonwealth Edison Company ("ComEd") previously entered into that certain Railcar Manufacturing Agreement, dated as of June 18, 1997 (the "Manufacturing Agreement"), pursuant to which the Secured Party agreed to sell and ComEd agreed to purchase the railroad rolling stock described therein;

WHEREAS, pursuant to that certain Assignment of Purchase Order dated as of June 30, 1997 (the "Assignment") entered into by ComEd and the Grantor, ComEd assigned to the Grantor all of ComEd's rights, title and interest and certain of its obligations (including its obligations to pay the purchase price for the Railcars, as hereinafter defined) under the Manufacturing Agreement with respect to the railroad rolling stock described on Exhibit A attached hereto (collectively the "Railcars" and individually the "Railcar"); and

WHEREAS, in order to induce the Secured Party to deliver the Railcars to the Grantor prior to payment by the Grantor of the purchase price therefor, the Grantor has agreed to enter into this Security Agreement and to grant the security interests provided for herein;

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor and the Secured Party hereby agree as follows:

SECTION 1. Grant of Security Interest. As collateral security for the performance and payment of (i) all of the obligations of ComEd under the Manufacturing Agreement which were assigned to the Grantor under the Assignment and the Grantor's obligations under this Agreement (all of the foregoing obligations being herein referred to as the "Obligations") the Grantor hereby grants, conveys, mortgages, hypothecates, pledges, sets over, transfers and assigns to the Secured Party, and grants to the Secured Party a continuing lien upon and security interest in:

- (a) the Railcars, together with all insurance policies and proceeds insuring any Railcars or any part thereof (including unearned premiums) and all accessions, additions, attachments or improvements to any of the Railcars, any substitutions therefor, and any replacements, rents, issues, profits, returns, income, and proceeds thereof and therefrom and products thereof; provided, however, that for purposes of the Secured Party's security interest, the term "Railcars" shall not include any Railcars for which payment in full under the Manufacturing Agreement has been made by the Grantor to the Secured Party.

All aforesaid property and the products and proceeds therefrom are herein individually and collectively called the "Collateral."

Except as expressly set forth in Section 2(b) hereof, and notwithstanding any other provision of this Agreement, it is understood and agreed by the Secured Party that the liability and undertakings of the Grantor under and pursuant to this Agreement are not personal or recourse obligations or undertakings of the Grantor but are to be satisfied solely out of the Collateral and the income and proceeds thereof, all such personal liability being hereby waived and released by the Secured Party, and its successors and assigns; provided, however, that the limitation on personal liability of the Grantor shall not derogate from the right of the Secured Party to proceed against the Collateral (upon and during the continuance of an Event of Default hereunder) for the full payment of all amounts due the Secured Party on account of this Agreement, the Manufacturing Agreement or the Assignment.

SECTION 2. Representations and Warranties.

a. The Grantor hereby represents, warrants and covenants to and with the Secured Party that:

- (i) the Grantor and ComEd have entered into that certain Lease Agreement dated as of June 30, 1997 (the "Lease") pursuant to which the Grantor is leasing the Railcars to ComEd;
- (ii) to the best of Grantor's knowledge, ComEd, as lessee under the Lease, is or will be in possession of all of the Collateral, free of all security interests, liens, encumbrances and adverse claims whatsoever, arising by, through or under the Grantor or ComEd, other than the security interest granted hereunder, or created by the Lease or any permitted sublease of the Railcars under the Lease;

- (iii) Grantor has full power and authority to execute this Agreement and to perform the Grantor's obligations hereunder and to subject the Collateral to the security interest hereunder;
- (iv) no consent or approval of any governmental body or regulatory authority or any other person was or is necessary to the validity of the security interest granted hereby;
- (v) by virtue of the execution and delivery by the Grantor of this Agreement, when this Agreement shall have been filed with the Surface Transportation Board in accordance with 49 U.S.C. §11301, the Secured Party will obtain a valid and perfected first lien upon and security interest in such Collateral as security for the performance of the Obligations, prior to all other liens and encumbrances thereon and security interests therein other than as set forth in clause (ii) of this Section 2(a);
- (vi) the security interest granted hereby is effective to vest in the Secured Party the rights in the Collateral intended hereby;
- (vii) the Grantor is not currently known by any legal name different from the one set forth on the cover page of this Agreement; and
- (viii) the Grantor shall cause insurance to be maintained on the Collateral with carriers reasonably acceptable to the Secured Party in amounts not less than the purchase price for the Collateral under the Manufacturing Agreement.

b. In the event that the representations, warranties and covenants set forth in Sections 2.a (ii) or (viii) above prove to be incorrect in any material respect or in the event that any other representation, warranty or covenant of the Grantor proves to be untrue in any material respect as a result of the fraud of the Grantor, then, in any such case, and notwithstanding the provisions of the last paragraph of Section 1 hereof, the Grantor shall be personally liable to the Secured Party for any loss or damage sustained by the Secured Party and directly attributable to such misrepresentation or fraud.

SECTION 3. Covenants of the Grantor. The Grantor covenants with the Secured Party that:

(a) the Grantor shall permit (at Grantor's expense) the proper filing of this Agreement with the Surface Transportation Board pursuant to 49 U.S.C. §11301 and shall perform such other acts and things, all as the Secured Party may from time to time request, to establish and maintain a valid, perfected first security interest in the Collateral, other than as set forth in Section 2(a)(ii), to secure the performance and payment of the Obligations;

(b) the Grantor shall not allow or permit any of the Railcars to be used in violation of the Lease;

(c) the Grantor shall cause the Railcars to be kept numbered and marked with the identification numbers and marks set forth on Exhibit A to this Agreement and shall not change or allow the change of the identification number of any Railcar unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Secured Party and filed, recorded and deposited by the Grantor in all public offices where this Agreement shall have been filed, recorded or deposited;

(d) the Grantor will not transfer, assign, pledge or otherwise encumber any of its interests in the Railcars other than as permitted by the Lease;

(e) within five (5) days of the Secured Party's request, the Grantor shall furnish the Secured Party such information concerning the Grantor and the Collateral as the Secured Party may from time to time reasonably request;

(f) the Grantor shall cause each Railcar to be kept in good condition, order and repair and in compliance with all applicable standards then in effect under the Interchange Rules of the Association of American Railroads (or any successor organization) and under any other governmental regulation or requirement; and

(g) the Grantor shall do such further acts and things, and execute and deliver to the Secured Party such additional conveyances, assignments, agreements and instruments, as the Secured Party may reasonably request in order to carry out the purposes of this Agreement or better to assure and confirm unto the Secured Party its rights, powers and remedies hereunder.

SECTION 4. Damage to or Loss of the Collateral;
Requisition. The Grantor assumes and shall bear the entire risk of loss or damage to the Collateral from any and every cause whatsoever. No loss or damage to the Collateral or any part thereof shall affect any obligation of the Grantor with respect to the Obligations and this Agreement, which shall continue in full force and effect.

SECTION 5. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Failure of the Grantor to abide by any agreement or covenant contained herein, if such failure continues for a period of five (5) days after notice from the Secured Party to the Grantor specifying the default and demanding that the same be cured; or

(b) The occurrence and continuance of any default by the Grantor of any of ComEd's obligations under the Manufacturing Agreement which were assumed by the Grantor under the Assignment; or

(c) A court shall determine that the Secured Party does not have a first-priority security interest in any of the Collateral enforceable in accordance with the terms hereof; or

(d) The bankruptcy or insolvency of the Grantor.

SECTION 6. Remedies upon Default. If an Event of Default shall have occurred and be continuing, the Secured Party may, at the sole discretion of Secured Party, without notice or demand (after the first notice has been submitted to the Grantor pursuant to the requirements of the last paragraph of this Section 6) and without limitation of any rights and remedies of the Secured Party under the Uniform Commercial Code then in effect in Pennsylvania (but subject nevertheless to the then applicable requirements of law), take any one or more of the following steps:

(a) proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceedings, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof, or in aid of the exercise of any other right, power or remedy granted hereby or by law, equity or otherwise; and

(b) at any time and from time to time, with or without judicial process and the aid or assistance of others, enter upon any premises wherein any of the Collateral may be located and, without resistance or interference by the Grantor, take possession of the Collateral on any such premises, and require the Grantor to assemble and make available to the Secured Party at the expense of the Grantor any part or all of the Collateral at any place or time designated by the Secured Party; and remove any part or all of the Collateral from any premises wherein the same may be located for the purpose of effecting the sale or other

disposition thereof; and sell, resell, lease, assign and deliver, grant options for or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing, at public or private sale or proceedings, by one or more contracts, in one or more parcels, at the same or different times, with or without having the Collateral at the place of sale or other disposition, for cash and/or credit, and upon any terms, at such place(s) and time(s) and to such persons, firms or corporations as the Secured Party shall deem best, all without demand for performance or any notice or advertisement whatsoever, except that the Grantor shall be given five (5) business days' written notice of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, which notice the Grantor hereby agrees shall be deemed reasonable notice thereof. If any of the Collateral is sold by the Secured Party upon credit or for future delivery, the Secured Party shall not be liable for the failure of the purchaser to pay for same and in such event the Secured Party may resell such Collateral. The Secured Party may buy any part or all of the Collateral at any public sale and, if any part or all of the Collateral is of a type customarily sold in a recognized market or which is the subject of widely distributed standard price quotations, the Secured Party may buy at private sale and may make payment therefor by application of all or a part of the Obligations.

Before taking any action against the Collateral under this Agreement upon the occurrence of an Event of Default, the Secured Party shall give the Grantor not less than 30 days prior written notice specifying the Event of Default. If the Grantor chooses to cure such Event of Default within 30 days after receipt of such notice, the Grantor shall be subrogated to all of the rights of the Secured Party in and to the Collateral on a pro rata basis to the extent of advances by the Grantor to cure such Event of Default.

SECTION 7. Application of Proceeds of Sale. The proceeds of any collection or sale of Collateral pursuant to Section 6 hereof, as well as any Collateral consisting of cash, shall be applied by the Secured Party as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Secured Party in connection with such sale or otherwise in connection with this Agreement or any of the Obligations, including, but not limited to, all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Secured Party hereunder on behalf of the Grantor or the Lessee and any other costs

or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, to the payment in full of the Obligations; and

THIRD, to the Grantor, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

SECTION 8. Secured Party's Right to Perform for Grantor. If the Grantor fails to perform or comply with any of its agreements contained herein or in the Manufacturing Agreement (to the extent assumed by the Grantor under the Assignment), after providing Grantor with not less than five (5) days prior written notice specifying the action Secured Party proposes to take (unless immediate action is required, in the reasonable opinion of the Secured Party, to protect the Collateral or to avoid the imposition of a material cost or risk to the Secured Party, in which case no prior notice shall be required), the Secured Party may perform or comply with such agreement and the amount of any payments and expenses incurred by the Secured Party in connection with such performance or compliance, together with interest thereon at the rate of 12% per annum, shall be deemed a part of the Obligations and shall be payable by the Grantor upon demand.

SECTION 9. Reimbursement of the Secured Party. The Grantor hereby agrees to reimburse the Secured Party, on demand, for all expenses incurred by the Secured Party in connection with the administration and enforcement of this Agreement and agrees to indemnify the Secured Party and hold the Secured Party harmless from and against any and all liability incurred by the Secured Party hereunder or in connection herewith, unless such liability shall be due to wilful misconduct or gross negligence on the part of the Secured Party.

SECTION 10. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party as its attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes hereof after the occurrence and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest.

SECTION 11. No Waiver. No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Secured Party preclude any other or further exercise thereof or the exercise of any other right, power or

remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

SECTION 12. Termination. This Agreement shall terminate when all the Obligations have been fully paid and have expired, at which time the Secured Party (upon request of the Grantor) shall reassign and deliver to the Grantor, or to such person or persons as the Grantor shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Secured Party pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse to or warranty by the Secured Party and at the expense of the Grantor.

SECTION 13. Notices.

(a) All notices and other communications pursuant to this Agreement shall be in writing, either delivered in hand, by express delivery service or sent by certified or registered mail, postage prepaid, or sent by facsimile transmission, addressed as follows:

(i) if to the Grantor,
The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas
20th Floor
New York, New York 10036
Attention: Manager - Rail Group
Facsimile No. (212) 536-9397

(ii) if to the Secured Party,
Johnstown America Corporation
17 Johns Street
Johnstown, PA 15901
Attention: Michael P. Siska, Jr.
Facsimile No. (814) 533-5064

(iii) to such other addresses or by way of such other facsimile numbers as any party hereto shall have designated in a written notice to the other party hereto.

(b) Any notice or other communication pursuant to this Agreement shall be deemed to have been duly given or made and to have become effective when delivered to the party to which it is directed, or, if sent by express delivery service, by certified or registered mail, postage prepaid, or by facsimile transmission, and properly addressed in accordance with this Section 13, (i) when received by the addressee, or (ii) on the fifth Business Day following the day of the dispatch thereof, which ever of (i) or (ii) shall be the earlier.

SECTION 14. Further Assurances. The Grantor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Secured Party may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Secured Party its rights and remedies hereunder.

SECTION 15. Binding Agreement; Assignments. This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Grantor shall not be permitted to assign this Agreement or any interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral, or any part thereof other than as authorized by the Lease, or any cash or property held by the Secured Party as Collateral under this Agreement.

SECTION 16. Survival of Agreement. All covenants, representations, warranties and agreements made by the Grantor herein shall be considered to have been relied upon by the Secured Party and shall survive the making by the Secured Party of the payment under the Manufacturing Agreement.

SECTION 17. Governing Law. THIS AGREEMENT AND THE RESPECTIVE RIGHTS AND OBLIGATIONS HEREUNDER OF THE PARTIES HERETO SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO ITS CONFLICTS OF LAWS DOCTRINE; PROVIDED HOWEVER, THAT THE PARTIES SHALL BE ENTITLED TO ALL RIGHTS CONFERRED BY 49 U.S.C. §11301.

SECTION 18. Headings. Section headings used herein are for convenience only and are not to affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement, or caused this Security Agreement to be duly executed, as of the day and year first above written.

THE CIT GROUP/EQUIPMENT
FINANCING, INC.

By: _____

Its: _____

JOHNSTOWN AMERICA CORPORATION

By: 

Its: DIRECTOR, MARKETING &
SALES ADMIN.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement, or caused this Security Agreement to be duly executed, as of the day and year first above written.

THE CIT GROUP/EQUIPMENT
FINANCING, INC.

By: *Vicki McNamee*
Its: *Senior Vice President*

JOHNSTOWN AMERICA CORPORATION

By: _____
Its: _____

EXHIBIT A TO SECURITY AGREEMENT
DATED AS OF JULY 14, 1997
FROM
THE CIT GROUP/EQUIPMENT FINANCING, INC.
TO
JOHNSTOWN AMERICA CORPORATION

DESCRIPTION OF RAILCARS:

705 Aluminum BethGon Coalporter Cars bearing marks and numbers
CWEX 5001-5705 (inclusive)

STATE OF PENNSYLVANIA

)
) ss.
)

COUNTY OF CAMBRIA

On this _____ day of July, 1997, before me personally appeared MICHAEL P. SISK JR to me personally known, who, being by me duly sworn, acknowledged before me that he is DIRECTOR, MARKETING & SALES ADMIN. of JOHNSTOWN AMERICA CORPORATION and that said instrument was signed on behalf of said corporation by authority of its Board of Directors. Further, he acknowledged before me that the execution of the foregoing instrument was the free act and deed of said corporation.

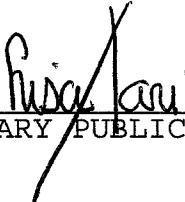
William J. Flaugh
NOTARY PUBLIC

My Commission Expires:

NOTARIAL SEAL
WILLIAM J. FLAUGH, Notary Public
Johnstown, Cambria County
My Commission Expires April 10, 1998

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On this 18 day of July, 1997, before me personally
appeared Victoria mcmanus, to me personally known,
who, being by me duly sworn, acknowledged before me that she is
the Sr. Vice President of THE CIT GROUP/EQUIPMENT FINANCING, INC.
and that said instrument was signed on behalf of said corporation
by authority of its Board of Directors. Further, she acknowledged
before me that the execution of the foregoing instrument was the
free act and deed of said corporation.



NOTARY PUBLIC

My Commission Expires:

February 24, 1998

LISA TARI
Notary Public, State of New York
No. 41-4992286 Qualified in Queens County
Certificate Filed in New York County
Commission Expires February 24, 1998